Measure of Leadership: CEOs and Directors on Navigating Change

Geopolitical upheaval. Artificial intelligence (AI). Election uncertainty. These external forces are only adding to the challenges CEOs and boards face. We know from our work with these leaders how running an organization is only becoming more relentless and complex. But what if leaders could better understand what their peers are dealing with — and learn from their experience?

We speak every day with leaders around the world about their top concerns and how they are responding — whether that's evolving how the top team works together, better leveraging board directors' expertise or addressing cultural impediments to change. With our *Measure of Leadership* series, we're expanding that ongoing dialogue so CEOs and board directors can hear from one another, at scale. We asked more than 2,000 CEOs and directors about a range of topics, including what keeps them up at night and how they are coping. We also surveyed more than 1,200 employees in the U.S. and U.K., comparing their responses and leaders' views.
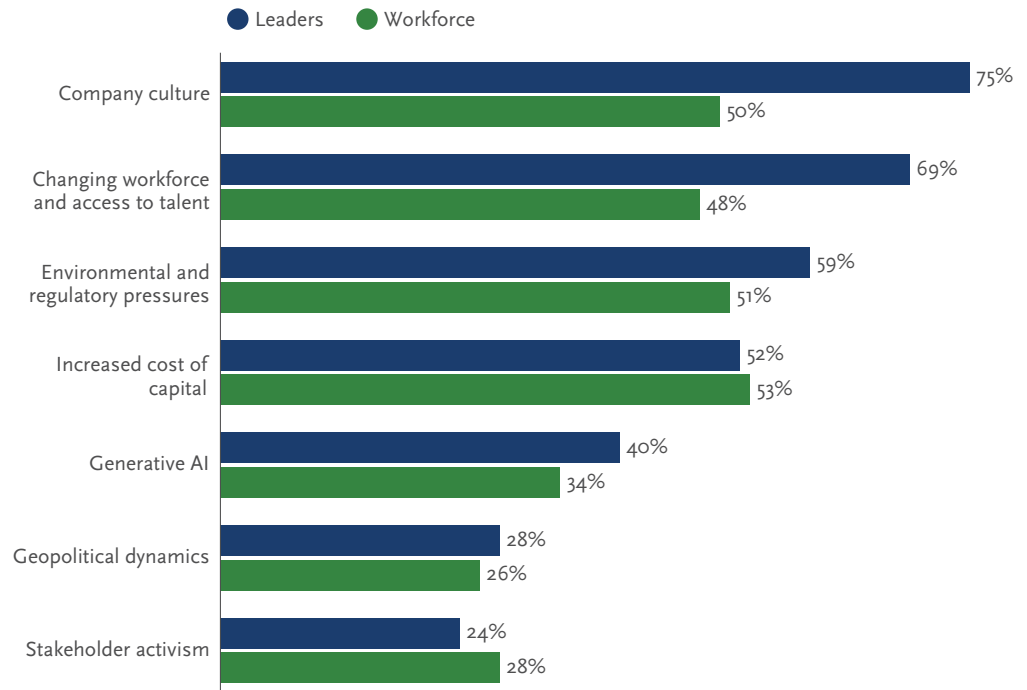
What did we find? Through both quantitative data and thousands of unfiltered responses, we learned that while the existential issues expected to consume them just a few months ago are on their minds, the world's business leaders are most focused on issues they can more directly control: company culture, changing workforce dynamics and access to talent. Fewer than half of all leaders surveyed are prioritizing and addressing the disruptive emergence of generative AI, for example, while barely a quarter feel compelled to address geopolitical dynamics right now.

The *Measure of Leadership* series

The first of our new *Measure of Leadership* series, featuring insights from more than 2,000 CEOs and board directors globally, finds these top leaders have clear priorities as they navigate uncertainty — they're just not what many expected at the start of this year.

LEADERS ARE PRIORITIZING ISSUES WITHIN THEIR CONTROL

Percentage who say each of the following is a priority and they are addressing it

● Leaders ● Workforce

Issue	Leaders	Workforce
Company culture	75%	50%
Changing workforce and access to talent	69%	48%
Environmental and regulatory pressures	59%	51%
Increased cost of capital	52%	53%
Generative AI	40%	34%
Geopolitical dynamics	28%	26%
Stakeholder activism	24%	28%

In our large-scale survey, CEOs and board directors are focused on shoring up the foundation of their organizations at a time when 78 percent feel a high level of business uncertainty and 25 percent worry their organization is "sluggish" in responding to new challenges. Employees surveyed in the U.S. and the U.K. report less concern: Just 42 percent shared leaders' sense of unease, and there remain significant gaps between the issues leaders are prioritizing and the extent to which employees feel their needs are being met.

One thing that shines through is how much leaders are eager to hear from one another. While 79 percent of employees are confident in leaders' ability to navigate this uncertain period, our survey uncovered important questions from senior executives seeking both advice and reassurance from their peers (see sidebar, "An ongoing conversation").

As we enter the second half of 2024 with uncertainty likely to persist — notably as elections are held around the world, including in the United States — this article takes stock of the attitudes of the world's CEOs and board directors. It also offers our perspective to help leaders make sense of the challenges they're confronting, based on decades of our work as a leadership performance partner to companies around the world.

An ongoing conversation

This inaugural report marks the beginning of Spencer Stuart's *Measure of Leadership* series, an ongoing dialogue that will delve into the perspectives and experiences of leading CEOs and board directors as they steer their organizations through the complexities of change.

This first survey gave respondents opportunities to provide direct feedback and ask questions of their peers. Thousands answered when we asked, "If you could ask one question to other CEOs or board directors, what would that be?"

Across the myriad topics about which leaders seek counsel, five big ones stood out: driving strategy and growth in an uncertain environment; talent recruitment, retention and engagement; economic and political concerns; navigating issues of sustainability and diversity, equity and inclusion; and the relationship between boards and CEOs. These largely mirror the issues leaders said they are prioritizing, but a closer reading reveals the extent to which CEOs and directors think deeply about broader tectonic shifts in the world, as well as existential questions of purpose and meaning in the work they do. They are also focused on how to do better themselves, with personal leadership and motivation coming up again and again in open-ended responses.

"We are entering what is most likely the biggest paradigm shift in human history, led by generative AI," one CEO wrote. "It will change, well, everything. How do we prepare ourselves, our teams and society for what's to come? I believe if we successfully navigate the near-term turmoil, then it should herald a golden age. But this is going to require some heroic leadership, and I fear what divides us may lead to a very different outcome."

Another CEO asked how to "solve the wealth gap problem." Yet another wondered how every CEO, no matter how successful, deals with "the 'is it all worth it?' question."

"Why?" one CEO asked. "Why are you doing what you are doing at this time? What are your core motivations? What keeps you in the fight day after day? How does that compare with your peers, your employees and your other stakeholders?"

CEOs must grapple with questions big and small — and they are eager to learn what their peers are doing as they strive to get the answers right.
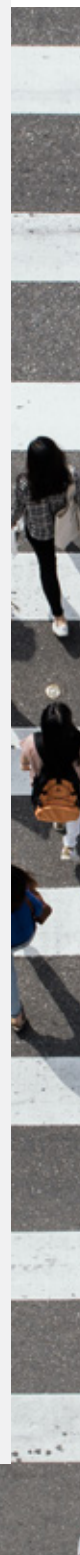
What leaders are prioritizing right now

The sheer number, significance and frequency of challenges faced by senior leaders is daunting and only likely to grow. Here are the challenges they're prioritizing:

Culture is critical to organizational agility

Both CEOs and directors rated company culture as a top priority, reflecting the link between aligning culture to the context of an organization's strategy and the ability to perform and adapt in challenging times. Fully 78 percent of CEOs and 73 percent of directors said culture was a priority being addressed in their organization, while a further 12 percent of all leaders rated company culture a priority not yet being addressed.

What is driving this focus? Amid so much uncertainty, the ability of organizations to respond to challenges with agility is vital to business performance. Yet 77 percent of leaders see at least some room for improvement in their organization's nimbleness in the face of uncertainty — and 25 percent called their company downright "sluggish." Culture, along with purpose and values, is a key lever for inspiring and energizing people in the organization to achieve business outcomes in a way that is flexible and responsive to change. The desire to get culture right was reflected in many of the open-ended responses we received, including this question from a CEO to their peers: "How are you preparing your organization to thrive in an era of increasing environmental, social and technological changes, and what do you see as the key factors in building a resilient and adaptable corporate culture?"

25%
of leaders worry their organizations are "sluggish" to respond to change

51%
of employees believe that leaders are actively working on culture

75%
of CEOs and directors said culture was a priority they're working on now in their organization

Yet while more than three-quarters of leaders believe they are actively working on culture, far fewer employees — just 51 percent — see it that way. This may be because some organizations lack a shared language about the culture; for others, culture may be viewed as more of a human resources function rather than a responsibility of top leaders. As a result, leaders may not be addressing what employees want or expect them to. Bridging that gap is vital: Culture must be aligned to strategy, and the employee experience should be shaped by a culture that brings strategy to life. We find the leadership teams most effective at shaping culture embrace their responsibility for it and model the behaviors they want to see in the organization. They ask themselves: How do we individually and collectively need to change the way we think, behave and act to create the culture we want?

Securing top talent is key as commitment falters

Given the role company culture plays in defining the workplace environment, it's natural the next biggest priority among leaders is how organizations retain existing talent and find new workers. Sixty-nine percent said the changing workforce and access to talent was a priority they're addressing, with a further 17 percent saying it was a priority not yet being addressed. In their open-ended responses, CEOs and directors had questions about talent attraction and retention; the impact of generational differences on the workplace; navigating diversity, equity and inclusion; and how to increase and maintain engagement among employees, especially younger generations.

One challenge: employees are less committed to their organizations than leaders think; 65 percent of employees said their commitment was average or below average compared with years past. Leaders also see commitment holding steady or slipping. As one respondent asked fellow CEOs: "How do you balance supporting employees with benefits (health, PTO, flex, parental leave, flex Fridays, etc.) while also inviting them to hustle when needed? In today's work culture, I have found this a hard balance to strike. I want my employees to be on fire for our work … but not burned out."

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Similar to our findings on culture, these results suggest that leaders may not be as in touch with employee expectations as they should be. Another factor may be organizations' slow progress on retooling processes to reflect the future of work. One major change since 2020, of course, is the rise of the "hybrid" workplace, which requires different ways of recognizing, developing and managing people. Some 72 percent of leaders said their companies had adopted a hybrid approach balancing remote working and time spent in the office, with 19 percent reporting an in-office policy and 9 percent saying their companies are fully remote. Interestingly, surveyed employees had a different take on the state of these policies, with only 21 percent saying their company had a hybrid approach, 47 percent describing their policy as in-office, and 21 percent saying their company is fully remote. Nearly one-quarter (24 percent) of leaders were still undecided about whether they planned on changing their in-office policies, indicating at least some leaders are keeping options open.

The CEOs we work with who have been most successful at cultivating a committed workforce recognize three things. First, employee engagement is an outcome of the overall employee experience, which is shaped by culture and strategy. Second, they and their executive team recognize that top leaders have the largest influence on engagement — HR and managers can only do so much if a company's rewards system is broken or if leadership isn't visible in driving a learning environment. And finally, that there's no magic bullet to being a great workplace: The best leaders zero in on what matters to most of their people and are relentlessly consistent in building those into the employee experience.

Greater rigor is being applied to environmental and regulatory efforts

Our survey appears to reflect waning general urgency for organizations to aggressively address environmental issues, though here there's a disconnect among senior leaders. While 63 percent of board directors regard the environment as a priority being addressed, that is nine percentage points higher than it is among CEOs — and 28 percent of CEOs said environmental and regulatory pressures were not a priority. Leaders in North America are also far less likely to prioritize these issues compared with those in Europe and Asia.

This gap may exist because CEOs are often under pressure to focus on short- to medium-term results, leaving board directors to assume oversight of issues that play out over a longer time horizon, such as environmental impact and the journey to net zero. Yet the need to act remains, and CEOs see it. "How much more time do we have before serious climate change issues begin to affect productivity, profitability and the sustaining of our business models?" one CEO asked.
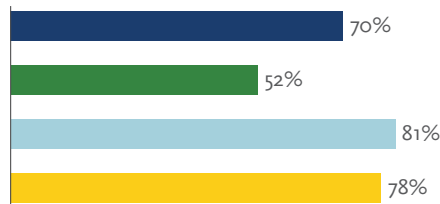
Our recent _Sustainability in the Spotlight_ survey of board directors finds most companies are staying the course on ESG issues and establishing structures for board oversight and increased disclosures. Amid economic headwinds, it is even more important that leaders rigorously define the sustainability initiatives they pursue and the value they expect to achieve, rather than undertaking projects "because it's the right thing to do." We believe sustainability both encourages and results from long-term strategic and existential thinking, and organizations have an opportunity to unlock the next wave of growth through this work.

LEADERS SHARE PRIORITIES, BUT THEIR SENSE OF URGENCY DIFFERS BY REGION

Percentage of leaders who say each of the following is a priority and they are addressing it

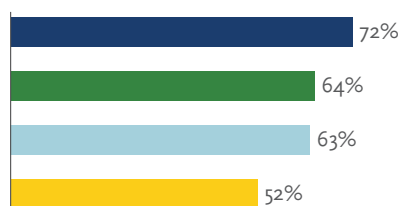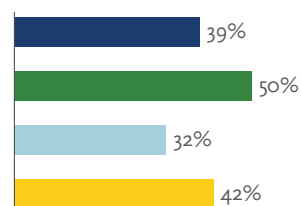● Europe ● Asia ● Australia and New Zealand ● North America

Company culture

Region	%
Europe	70%
Asia	52%
Australia and New Zealand	81%
North America	78%

Retaining and attracting talent

Region	%
Europe	63%
Asia	69%
Australia and New Zealand	67%
North America	72%

Environmental and regulatory pressures

Region	%
Europe	72%
Asia	64%
Australia and New Zealand	63%
North America	52%

Generative AI

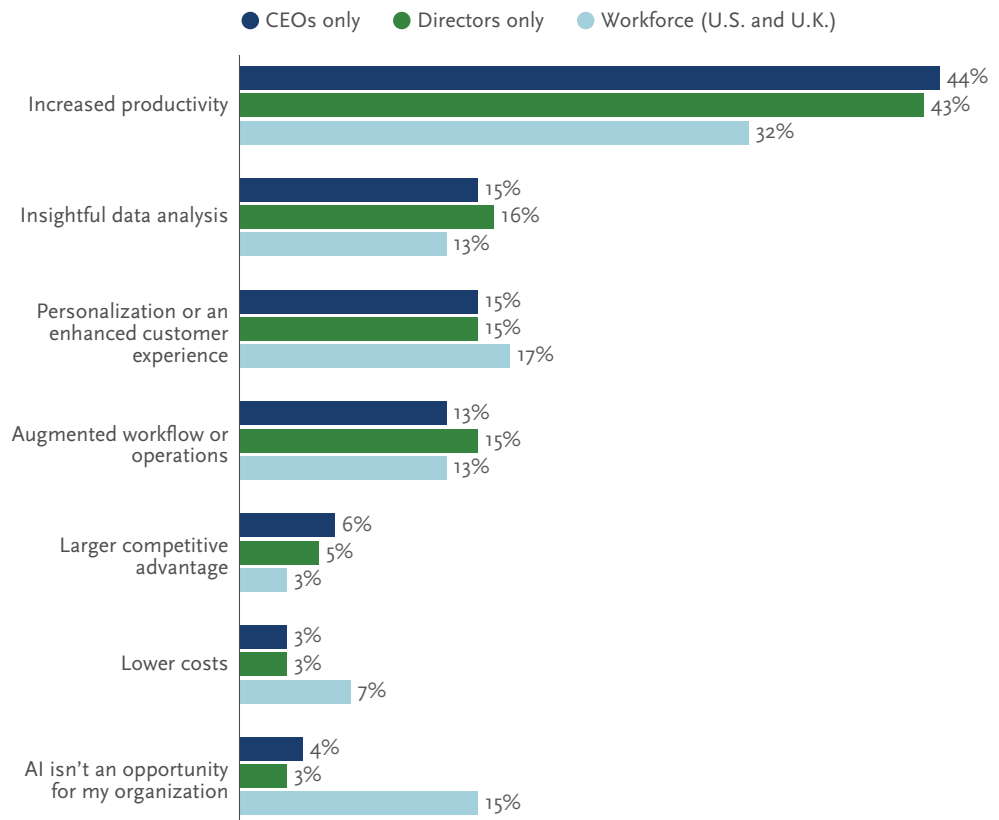| Region	%
Europe	39%
Asia	50%
Australia and New Zealand	32%
North America	42%

Generative AI is transformative, but not immediately

For all the headlines about generative AI changing everything, leaders are proceeding deliberately. Only 40 percent of leaders call generative AI a priority they are already addressing, although another 27 percent have plans to address it. About three in 10 — 29 percent — say it's not a priority, and 4 percent label it a distraction.

That's not to suggest that leaders aren't exploring the potential of generative AI, both personally and for their business. Some 51 percent of CEOs report staying up to date with AI developments, and 50 percent are actively assessing how their organizations can use it. Forty percent of all leaders said their leadership team is prioritizing AI literacy, and 35 percent are buying technology platforms or tools. A third are clarifying how AI can affect strategic priorities, and 27 percent are upskilling AI literacy among employees.

LEADERS AND EMPLOYEES HAVE DIFFERENT VIEWS OF THE PROMISE AND PERIL OF AI

What do you think is the single biggest opportunity AI will present for your organization?

● CEOs only ● Directors only ● Workforce (U.S. and U.K.)

	CEOs only	Directors only	Workforce (U.S. and U.K.)
Increased productivity	44%	43%	32%
Insightful data analysis	15%	16%	13%
Personalization or an enhanced customer experience	15%	15%	17%
Augmented workflow or operations	13%	15%	13%
Larger competitive advantage	6%	5%	3%
Lower costs	3%	3%	7%
AI isn't an opportunity for my organization	4%	3%	15%

Leaders are making these investments with a longer-term view: Just 19 percent see investments in generative AI already paying off, while nearly half say the pay-off is at least 18 months away. It appears leaders are willing to play the long game given the multiple opportunities generative AI presents, as detailed in the chart above. In fact, the companies we observe that are likely to win with AI in the future are laying the foundation

today internally by changing mindsets and breaking down the organizational and cultural barriers to collaboration and data- and information-sharing. They view data as an asset — one that everyone has a role in gathering, curating and aggregating — and are shaping a vision for what AI and machine learning could mean for the business.

Leaders are cautious about engaging in politics

The pervasiveness of geopolitical issues is hard to ignore amid protests at many university campuses and looming elections around the world. More than two-thirds of all leaders (68 percent) worry the U.S. presidential election in November will become a major distraction at work, much more so than elections recently completed in India (19 percent) or the forthcoming general election in the United Kingdom (25 percent). Keeping their organizations engaged and focused amid rising political tensions and other internal and external distractions is a top-of-mind challenge for CEOs and directors. As one CEO asked, "How are you motivating your teams to be focused given all the externalities that are impacting business and personal lives of your employees?"

In today's multistakeholder world, leaders also grapple with whether and how to engage publicly on nuanced political and social issues, weighing the potential risks to the company's brand and shareholder value of engaging — or not — on these issues. Globally, 45 percent of leaders feel at least moderate pressure to publicly address political issues, with leaders in sectors such as government, nonprofits and academia (58 percent) and entertainment (56 percent) most likely to feel pressured. CEOs and board directors in North America report feeling significantly less pressure to address political issues than their European peers. Only 37 percent of leaders of companies based in North America said they felt high or moderate pressure to engage on political issues, compared with 59 percent of CEOs of companies with European headquarters. CEOs in France (72 percent), Italy (70 percent) and Germany (67 percent) were most likely to feel at least moderate pressure to engage on political issues. Notably, we saw a correlation between pressure to engage and overall business anxiety: CEOs who sense a high degree of pressure to take public stands are 13 percentage points more likely to say their organizations are facing high levels of uncertainty than those who don't feel compelled to engage. They're also 17 percentage points more apt to say uncertainty is increasing and 38 points more likely to see geopolitical risks accelerating.

Interestingly, 67 percent of employees themselves actually prefer CEOs and companies avoid publicly engaging on political issues. This aligns with the strategy most leaders are already taking: Nearly half — 46 percent — navigate these issues with caution and minimal involvement, and another 35 percent get strategically involved when necessary. Some 19 percent practice active, thoughtful engagement. Given the potential brand and reputational risk of being caught wrong-footed on a particular issue — along with potential destruction of shareholder value — we expect that CEO communications will demand more energy, focus, planning and preparation than ever, in terms of both leadership commitment and board oversight. In particular, boards at many companies are seeking more clarity and transparency from management about the processes and structures in place for guiding decisions about whether and how to address political and social issues.

How leaders can succeed in the face of uncertainty

There is no shortage of issues confronting CEOs and directors, and the list of challenges seems only likely to grow to the point where few individuals can alone cope with its demands; even the most capable CEOs require new levels of sophistication from their top leadership team and board. The good news is 87 percent of board directors have faith in the readiness of their CEO to respond to these challenges, including a slender majority (51 percent) who are very confident. The bad news? While most CEOs have at least some confidence in directors' ability to help guide them through the issues confronting their organizations, the percentage expressing a lot of confidence is only 32 percent.

32%

of CEOs are highly confident in their boards to help them navigate challenges

The relationship between CEOs and board, especially board chairs, is critical — even more so when market conditions are volatile and change is on the agenda. The board, CEO and management team must work together in ways they haven't before, creating a leadership system that must be aligned to truly accelerate performance. Our survey found CEOs recognize the need for a strong leadership ecosystem and are leaning on the experience and counsel of directors and the broader C-suite: 63 percent of CEOs are increasing communication with their boards, 33 percent are increasing the frequency of private meetings with their board chairs, and 30 percent are more often pulling C-suite members into meetings with directors.

As we look ahead to the second half of year, we offer the following advice for these leaders from our experience working with some of the highest-performing companies in the world.

CEOs and boards need to be partners in driving the organization's performance and feel comfortable sharing their expectations and concerns with each other. Similarly, boards need to challenge themselves to rise to meet the organization's needs — ensuring that their composition and capabilities are the right ones for the demands of the business — while retaining their overarching oversight role. Directors also should work closely with management to identify the risks and opportunities from disruption. As one CEO advised, "Understand and engage the board in change management, leveraging their expertise to encourage questions on strategy and risk that inform the enterprise and create value."

Prioritize communication to keep people across the organization focused on their role in achieving business outcomes. CEOs must be able to engage and motivate employees and other stakeholders, win over hearts and minds, and instill confidence. As one CEO wrote, "Leadership is at a premium right now, and with many changes coming at our organization, having frequent and transparent communication is a must."

Amid so much complexity and ambiguity, CEOs need to draw on a richer, more diverse set of inputs than ever to anticipate and respond to emerging developments. This includes developing a broad external network — 53 percent of CEOs in our survey are looking outside their organization and tapping their personal networks for greater support — in addition to a robust internal ecosystem. The most effective CEOs cultivate truth tellers who aren't afraid to tell it like it is. As one told us, "My role is to support the management team and learn as much as possible from their field of expertise."

Finally, agility and resilience demand the breaking down of siloes. CEOs and their teams must encourage real collaboration: C-suite leaders should embrace their role as enterprise leaders, not just heads of a business or function, and understand that the organization takes their cultural cues from them. Closer, more proactive communication among the top team helps drive alignment and build trust, improving decision making and eliminating some of the process and bureaucracy that slows organizations down. One CEO said their most important job was to "create a culture where leadership and teams at all levels are truly committed to the collective 'us' and not the individual 'me' to be able to make quick decisions."

We look forward to continuing the dialogue in the months ahead.

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Methodology: This Spencer Stuart survey was conducted online using the Truedot platform from March 27 to April 4, 2024, among 1,036 CEOs and 1,285 directors in Spencer Stuart's network. Leaders represented all major industry sectors, as well as government and academia. Companion surveys of 615 full-time workers in the U.S. and 610 in the U.K. were conducted online from March 27 to April 3 and weighted to match the demographics of workers in each country.

About Spencer Stuart's Global Board and CEO Practice

Drawing on our deep understanding of the challenges facing boards and CEOs, along with our groundbreaking research on CEO and board performance, our consultants help boards, CEOs and CHROs navigate the high-stakes leadership decisions that make a critical difference for the future of their teams and organizations.

About Spencer Stuart

At Spencer Stuart, we know that leadership has never mattered more. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises, on their stakeholders and on the world around them. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning more than 70 offices, over 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment, employee engagement and many other facets of culture and organizational effectiveness, particularly in the context of the changing stakeholder expectations of business today. For more information on Spencer Stuart, please visit **www.spencerstuart.com**.